

Agency Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	90,933,624	95,725,742	4,792,118	5.27 %
Operating Expenses	28,991,931	31,292,250	2,300,319	7.93 %
Equipment & Intangible Assets	1,761,876	351,339	(1,410,537)	(80.06)%
Capital Outlay	386,179	0	(386,179)	(100.00)%
Local Assistance	2,000,000	0	(2,000,000)	(100.00)%
Transfers	120,816	3,000	(117,816)	(97.52)%
Debt Service	133,146	154,468	21,322	16.01 %
Total Expenditures	\$124,327,572	\$127,526,799	\$3,199,227	2.57 %
General Fund	114,622,470	117,476,758	2,854,288	2.49 %
State/Other Special Rev. Funds	1,979,898	1,987,252	7,354	0.37 %
Federal Spec. Rev. Funds	550,009	559,854	9,845	1.79 %
Proprietary Funds	7,175,195	7,502,935	327,740	4.57 %
Total Funds	\$124,327,572	\$127,526,799	\$3,199,227	2.57 %
Total Ongoing	\$124,077,572	\$127,276,799	\$3,199,227	2.58 %
Total OTO	\$250,000	\$250,000	\$0	0.00 %

Mission Statement

The Department of Revenue serves Montana by providing high quality services, ensuring equity and fairness, and constantly improving efficiency.

Please refer to the agency profile for the Department of Revenue at <https://leg.mt.gov/lfd/state-agency-profiles/department-revenue/> for additional information about the agency’s organization structure, historical expenditures, FY 2020 expenditure dashboard, and recent studies, audits, and legislation.

Agency Highlights

Department of Revenue Major Budget Highlights
<ul style="list-style-type: none"> • The Department of Revenue 2023 biennium budget request is approximately \$3.2 million or 2.6% higher than the 2021 biennium budget. The executive proposal includes: <ul style="list-style-type: none"> ◦ General fund increases in statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ A one-time-only request of \$250,000 for anticipated overtime and termination payout of personal services in the Alcoholic Beverage Control Division ◦ In the Property Assessment Division, an increase in state special revenue for the property valuation improvement fund and an increase in general fund for a new proposed NRIS/GIS usage fixed cost to be paid to the Montana State Library

Agency Actuals and Budget Comparison

The following table compares the last full fiscal year actuals, previous biennium appropriations by year, and current annual biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	625.67	625.67	625.67	625.67
Personal Services	43,884,638	44,488,493	46,445,131	47,787,783	47,937,959
Operating Expenses	13,816,375	13,977,811	15,014,120	15,735,459	15,556,791
Equipment & Intangible Assets	1,731,317	1,731,322	30,554	135,256	216,083
Capital Outlay	384,459	386,179	0	0	0
Local Assistance	0	2,000,000	0	0	0
Transfers	117,816	119,316	1,500	1,500	1,500
Debt Service	50,714	55,899	77,247	77,239	77,229
Total Expenditures	\$59,985,319	\$62,759,020	\$61,568,552	\$63,737,237	\$63,789,562
General Fund	55,237,809	57,929,546	56,692,924	58,715,925	58,760,833
State/Other Special Rev. Funds	989,947	989,944	989,954	993,626	993,626
Federal Spec. Rev. Funds	275,085	275,086	274,923	279,920	279,934
Proprietary Funds	3,482,478	3,564,444	3,610,751	3,747,766	3,755,169
Total Funds	\$59,985,319	\$62,759,020	\$61,568,552	\$63,737,237	\$63,789,562
Total Ongoing	\$59,918,709	\$62,634,020	\$61,443,552	\$63,612,237	\$63,664,562
Total OTO	\$66,610	\$125,000	\$125,000	\$125,000	\$125,000

Agency Discussion

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Department of Revenue (DOR) expended 95.6% of its \$62.8 million FY 2020 modified HB 2 budget. Personal services expenditures in FY 2020 were lower than anticipated in the budget due to employee turn-over. The 2019 Legislature provided \$2.0 million in the 2021 biennial appropriation for the Department of Revenue to implement HB 636. HB 636 revised the process for protesting taxes and requires DOR to reimburse local taxing jurisdiction if the State Tax Appeal Board or the courts determine that the final appraised value of centrally assessed or industrial property is 75.0% or more below the original assessed value determined by the Department of Revenue. In FY 2020 the Department of Revenue did not reimburse any taxing jurisdictions for differences in taxable values. This appropriation is biennial and can be used in both years of the biennium.

FY 2020 Appropriations Compared to FY 2021 Appropriations

FY 2021 total appropriations are approximately \$1.2 million less than FY 2020. The primary difference is attributed to the reduction of local assistance for the one-time-only HB 636 appropriation. There is an increase of approximately \$1.3 million in personal services primarily due to a pay increase adjustment to meet the 85.0% market midpoint. In FY 2020 the Department of Revenue transferred \$1.5 million in operating expense appropriations to equipment and intangible assets to upgrade the tax system, GenTax. Therefore, this has led to the \$1.0 million increase in operating expenses and approximately \$1.7 million decrease in equipment and intangible assets in FY 2021. Transfers were decreased by approximately \$118,000 due to transferring funds to finish projects that included parking lot and landscaping work at the liquor warehouse and investigative work in FY 2021.

Comparison of FY 2021 Legislative Budget to FY 2021 Base

Figure 1 illustrates the beginning FY 2021 budget as adopted by the 2019 Legislature compared to the finalized FY 2021 base budget, which included modifications as approved by the approving authority (as authorized in statute) during the

interim. The FY 2021 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2023 biennium budgeting process.

Figure 1

FY 2021 Legislative Appropriations - Legislative Branch				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 DIRECTORS OFFICE				
61000 Personal Services	8,032,393	(1,498,414)	6,533,979	-18.7%
62000 Operating Expenses	6,722,162	(4,633,220)	2,088,942	-68.9%
68000 Transfers-out	1,500	-	1,500	0.0%
69000 Debt Service	4,500	5,913	10,413	131.4%
01 DIRECTORS OFFICE Total	14,760,555	(6,125,721)	8,634,834	-41.5%
02 TECHNOLOGY SERVICES DIVISION				
61000 Personal Services	-	2,977,400	2,977,400	0.0%
62000 Operating Expenses	-	5,041,745	5,041,745	0.0%
02 TECHNOLOGY SERVICES DIVISION Total	-	8,019,145	8,019,145	0.0%
03 ALCOHOLIC BEVERAGE CONTROL DIV				
61000 Personal Services	2,442,070	-	2,442,070	0.0%
62000 Operating Expenses	585,110	(35,293)	549,817	-6.0%
63000 Equipment & Intangible Assets	30,554	-	30,554	0.0%
69000 Debt Service	-	35,293	35,293	0.0%
03 ALCOHOLIC BEVERAGE CONTROL DIV Total	3,057,734	-	3,057,734	0.0%
05 INFORMATION MGMT & COLLECTIONS				
61000 Personal Services	6,280,422	(1,843,425)	4,436,997	-29.4%
62000 Operating Expenses	2,681,530	(716,779)	1,964,751	-26.7%
69000 Debt Service	-	3,741	3,741	0.0%
05 INFORMATION MGMT & COLLECTIONS Total	8,961,952	(2,556,463)	6,405,489	-28.5%
07 BUSINESS & INCOME TAXES DIV				
61000 Personal Services	10,321,642	-	10,321,642	0.0%
62000 Operating Expenses	1,694,244	(7,558)	1,686,686	-0.4%
69000 Debt Service	-	7,558	7,558	0.0%
07 BUSINESS & INCOME TAXES DIV Total	12,015,886	-	12,015,886	0.0%
08 PROPERTY ASSESSMENT DIVISION				
61000 Personal Services	19,245,275	362,768	19,608,043	1.9%
62000 Operating Expenses	3,395,765	286,414	3,682,179	8.4%
69000 Debt Service	6,385	13,857	20,242	217.0%
08 PROPERTY ASSESSMENT DIVISION Total	22,647,425	663,039	23,310,464	2.9%
58010 DEPARTMENT OF REVENUE Total	61,443,552	-	61,443,552	0.0%

The 2019 Legislature enacted HB 293, providing film tax credits, and SB 200, providing for equal classification of homes on a foundation. The Governor's Office transferred from HB 715 authority 3.00 FTE and approximately \$220,000 in personal services to the Business and Income Taxes Division for film tax credits and 1.00 FTE and approximately \$71,000 in

personal services to the Property Assessment Division for equal classification of homes on a foundation in FY 2021. HB 715 required the funding to be included in the 2023 biennium base budget.

The Department of Revenue reorganized its organizational structure to create the Technology Services Division and transfer the accounting, budgeting, and call center to the Director's Office. To create the new division, the Director's Office transferred:

- 16.00 FTE
- \$2,977,400 in personal services
- \$5,041,745 in operating expenses

The Information Management and Collection Division transferred appropriations to the Director's Office including:

- 18.00 FTE
- \$1,749,686 in personal services
- \$488,038 in operating expenses

These services were supported by:

- \$9,205,194 in general fund
- \$245,307 in state special revenue
- \$281,183 in proprietary funds

In addition, the Department of Revenue made several program transfers of general fund between various programs as shown in Figure 1.

Executive Request

The executive proposes an increase above the FY 2021 base of approximately \$2.2 million in FY 2022 and FY 2023. Proposed increases in general fund are primarily due to statewide present law adjustments for personal services and operating expenses.

The executive request will be discussed in further detail at the program level.

5.0% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. The DOR 5.0% plan includes reductions totaling \$2.8 million general fund and approximately \$49,000 in state special revenue. The majority of these reductions are in personal services, with all programs impacted except the Alcoholic Beverage Control Division. Potential changes because of the 5.0% reductions include delayed hiring, slower response times for inquiries, increased processing times for tax refunds, and delays in reviewing and updating local market values used for property tax collections.

A summary of the entire 2023 biennium 5.0% plan submitted for this agency can be found online at the Section A subcommittee page on "Tab D Materials."

Agency Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into three categories, as follows:

1. Expected Changes - This category includes those adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs including FY 2021 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

2. Personal Services Management Decisions - Any agency management decisions that adjusted employee pay. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff, or moving FTE between programs.
3. Modifications to the Personal Services Base Budget - Other modifications to the FY 2021 personal services base like operating plan transfers that occurred during the interim may impact the overall size of the personal services present law adjustment (DP 1)

The figure below shows the analysis of the executive budget for personal services compared to the expected personal services budget for each program.

Figure 2

Personal Services Present Law DP 1 - FY 2022				
Program	Expected Changes	Management Decisions	Budget Modifications	SWPL1
01 DIRECTORS OFFICE	297,736	(204,154)	-	93,582
02 TECHNOLOGY SERVICES DIVISION	12,371	267,790	-	280,161
03 ALCOHOLIC BEVERAGE CONTROL DIVISION	74,012	48,101	-	122,113
05 INFORMATION MANAGEMENT & COLLECTIONS DIV	151,844	179,328	-	331,172
07 BUSINESS & INCOME TAXES DIVISION	303,858	130,942	-	434,800
08 PROPERTY ASSESSMENT DIVISION	842,177	(763,024)	1,671	80,824
Agency Total	\$ 1,681,998	\$ (341,017)	\$ 1,671	\$ 1,342,652

Personal services were \$46.4 million or 75.4% of total FY 2021 appropriations. In addition to the expected changes, the Department of Revenue had management decision changes that include pay changes related to employee turnover as well as program reorganizations. As previously mentioned, the Technology Services unit was moved out of the Director's Office and into its own division and the call center, accounting, and budgeting unit from the Information Management and Collections Division moved into the Director's Office.

The Department of Revenue estimates that it could experience up to \$1.5 million in retirement payouts in the 2023 biennium. Approximately half of these payouts are in the Property Assessment Division, along with approximately \$372,000 in the Business and Income Taxes Division and approximately \$203,000 in the Director's Office.

Additionally, the Department of Revenue estimates that there are 321 employees who are below the 85.0% market midpoint. The agency estimates that it will increase personal services cost by approximately \$2.9 million to increase staff salaries to meet the 85.0% market midpoint.

Funding

The following table shows proposed agency funding by source of authority.

Total Department of Revenue Funding by Source of Authority 2023 Biennium Budget Request - Department of Revenue						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	117,476,758	0	0	297,112,021	414,588,779	75.22 %
State Special Total	1,987,252	0	0	126,011,250	127,998,502	23.22 %
Federal Special Total	559,854	0	0	0	559,854	0.10 %
Proprietary Total	7,252,935	250,000	539,474	0	8,042,409	1.46 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$127,276,799	\$250,000	\$539,474	\$423,123,271	\$551,189,544	
Percent - Total All Sources	23.09 %	0.05 %	0.10 %	76.77 %		

HB 2 Funding

The Department of Revenue is primarily funded with general fund, which is 75.2% of total funds in the 2023 biennium. Proprietary funds are 1.5% of total funds and support the operation of the Alcoholic Beverage Control Division and other divisions that support alcoholic beverage control functions or the staff of the Alcoholic Beverage Control Division.

State special revenue accounts for 23.2% of total funds and supports:

- Tobacco tax compliance activities under the Tobacco Master Settlement Agreement
- Appraisal, assessment, and taxation processes
- Administration of the unclaimed property program
- Administration of the medical marijuana tax

Federal special revenue accounts for 0.1% of total funds and supports federal mineral royalty audits.

Statutory Funding

Total funding for the agency also includes two large general fund statutory appropriations. The Director’s Office manages a pass-through general fund appropriation for the state entitlement shares and is responsible for the statutorily appropriated distributions of various tax revenues to local and tribal governments. These statutory appropriations are described in more detail in the pertinent sections.

Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	56,692,924	56,692,924	113,385,848	96.52 %	61,443,552	61,443,552	122,887,104	96.36 %
SWPL Adjustments	1,817,143	1,753,788	3,570,931	3.04 %	1,959,827	1,903,889	3,863,716	3.03 %
PL Adjustments	196,319	304,582	500,901	0.43 %	321,319	429,582	750,901	0.59 %
New Proposals	9,539	9,539	19,078	0.02 %	12,539	12,539	25,078	0.02 %
Total Budget	\$58,715,925	\$58,760,833	\$117,476,758		\$63,737,237	\$63,789,562	\$127,526,799	

HB 2 Language

The executive requests the following language be included in HB 2: "The Alcoholic Beverage Control Division has appropriated \$170.0 million in each year of the 2023 biennium from the liquor enterprise fund to maintain adequate inventories necessary to meet statutory requirements, to pay freight costs, and to transfer profits and taxes to appropriate accounts."

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	12,850,492	13,280,351	429,859	3.35 %
Operating Expenses	3,973,795	4,480,475	506,680	12.75 %
Capital Outlay	182,884	0	(182,884)	(100.00)%
Transfers	3,000	3,000	0	0.00 %
Debt Service	18,363	20,826	2,463	13.41 %
Total Expenditures	\$17,028,534	\$17,784,652	\$756,118	4.44 %
General Fund	16,309,418	17,065,440	756,022	4.64 %
State/Other Special Rev. Funds	408,199	408,308	109	0.03 %
Proprietary Funds	310,917	310,904	(13)	0.00 %
Total Funds	\$17,028,534	\$17,784,652	\$756,118	4.44 %
Total Ongoing	\$17,028,534	\$17,784,652	\$756,118	4.44 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Director’s Office (DO) supports the agency’s director and is composed of the following units:

- The Citizen and Financial Services Office manages the department’s centralized accounting and budgeting functions, call center, e-Stop business licensing and unclaimed property distribution
- The Communication and Taxpayer Outreach Office communicates with internal and external stakeholders, and is responsible for media relations, digital communications, forms, design and branding, public education and outreach, training and employee development
- The Enterprise Planning and Analysis Office manages projects to improve agency operations and ensure that critical enterprise functions are accomplished with more efficiency, higher quality, and lower costs
- The Executive Office provides administrative support services for the work units within the Director’s Office
- The Human Resources Office manages organization and workforce development, policy and practice interpretation, employee and labor relations, staffing, employment law, performance reviews, and compensation
- The Legal Services Office supervises the overall legal efforts of the department, including rules, policies, and bankruptcy
- The Office of Dispute Resolution independently hears and/or mediates cases between the department and taxpayers, liquor licensees, and other members of the public. The office provides an accessible, cost-effective means for taxpayers and licensees to appeal agency determinations or proposed department actions
- The Procurement, Contracts, and Facilities Office manages the planning, procurement, contract negotiation, creation, and execution, performance measurement, conflict resolution and invoice verification for the department
- The Security Office serves as the department liaison with the IRS and is responsible for the security of all taxpayer information
- The Tax Policy and Research Office provides accurate, timely information for the Governor, the Legislature, and Montana citizens. This includes the compilation of basic tax data and the publication of the statutory Biennial Report

Program Highlights

Directors Office Major Budget Highlights
<ul style="list-style-type: none"> • The Directors Office 2023 biennium budget request is approximately \$756,000 or 4.4% higher than the 2021 biennium budget. The executive proposal includes: <ul style="list-style-type: none"> ◦ Increases in general fund and state special revenue due to statewide present law adjustments for personal services, fixed costs, and inflation/deflation

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	73.19	73.19	73.19	73.19
Personal Services	6,238,005	6,316,513	6,533,979	6,627,561	6,652,790
Operating Expenses	1,782,862	1,884,853	2,088,942	2,344,157	2,136,318
Capital Outlay	182,884	182,884	0	0	0
Transfers	0	1,500	1,500	1,500	1,500
Debt Service	3,449	7,950	10,413	10,413	10,413
Total Expenditures	\$8,207,200	\$8,393,700	\$8,634,834	\$8,983,631	\$8,801,021
General Fund	7,847,650	8,034,150	8,275,268	8,624,025	8,441,415
State/Other Special Rev. Funds	204,085	204,085	204,114	204,154	204,154
Proprietary Funds	155,465	155,465	155,452	155,452	155,452
Total Funds	\$8,207,200	\$8,393,700	\$8,634,834	\$8,983,631	\$8,801,021
Total Ongoing	\$8,207,200	\$8,393,700	\$8,634,834	\$8,983,631	\$8,801,021
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Director’s Office expended 97.8% of its \$8.4 million FY 2020 modified HB 2 budget. Personal service expenditures are below budgeted levels due to turnover. The appropriations for operating expenses in the Director’s Office included a 2021 biennial appropriation of \$190,000 for legislative audit costs. Expenditures for audit were about \$90,000 in FY 2020, driving the lower expenditures. This appropriation is biennial and can be used in both years of the biennium.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Personal services FY 2021 appropriations are higher than FY 2020 appropriations for two reasons:

- The pay plan approved by the 2019 Legislature
- Transfer of \$114,000 in FY 2020 personal services appropriations to the Technology Services Division

The Director’s Office transferred \$205,000 in operating expenses to the Technology Services Division in FY 2020.

**LFD
COMMENT****House Bill 3**

Supplemental appropriations in general fund are being requested for the Director's Office of \$6.3 million in FY 2021 for the establishment of the marijuana sales taxation. In 2020, the Montana I-190 Marijuana Legalization Initiative was passed which legalizes the possession and use of marijuana for adults over the age of 21. The state of Montana will impose a 20.0% tax on marijuana sales, which requires the Department of Revenue to develop rules and framework to regulate marijuana sales.

Executive Request

The Directors Office budget proposed by the executive is \$756,000 or 4.4% greater than the 2021 biennium budget.

Personal services were \$6.5 million or 75.7% of total FY 2021 appropriations. The executive proposes increases in general fund above the FY 2021 base, totaling approximately \$94,000 in FY 2022 and \$119,000 in FY 2023. This change is primarily due to increases from the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$2.1 million or 24.2% of total FY 2021 appropriations. The executive proposes increases in general fund and state special revenue appropriations above the FY 2021 base, totaling approximately \$255,000 in FY 2022 and \$47,000 in FY 2023. This change is primarily due to increases from the statewide present law adjustment for fixed costs, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$6.5 million or 75.7% of total FY 2021 appropriations for the Directors Office. The executive proposes a statewide present law increase of approximately \$94,000 in FY 2022 and \$119,000 in FY 2023.

The 2023 biennium personal service statewide present law request includes expected changes and management decisions.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover
- A reorganization occurred that moves the Information Technology unit, which includes 34.00 FTE, out of the Director's Office into its own division
 - This moved approximately \$3.0 million in personal service funds to the Technology Services Division
- 18.00 FTE from the call center, accounting, and budgeting from the Information Management and Collections Division were moved into the Director's Office
 - This transferred approximately \$1.7 million in personal service funds to the Director's Office

Funding

The following table shows proposed program funding by source of authority.

Department of Revenue, 01-Directors Office Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	17,065,440	0	0	297,112,021	314,177,461	71.28 %	
02008 Tobacco And Cig. Tribal Agree.	80	0	0	9,000,000	9,000,080	7.13 %	
02025 Unclaimed Property	288,532	0	0	0	288,532	0.23 %	
02083 Oil & Gas Local Assistance	0	0	0	13,000,000	13,000,000	10.30 %	
02088 SSR Administrative Funds	34,372	0	0	0	34,372	0.03 %	
02168 MT Oil Production Tax	0	0	0	100,000,000	100,000,000	79.21 %	
02169 Bentonite Production Tax	0	0	0	1,300,000	1,300,000	1.03 %	
02511 Oil and Gas Natural Resource	0	0	0	1,000,000	1,000,000	0.79 %	
02790 6901-Statewide Tobacco Sttlmnt	85,324	0	0	0	85,324	0.07 %	
02966 Tribal Agreement - Alcohol	0	0	0	1,540,000	1,540,000	1.22 %	
State Special Total	\$408,308	\$0	\$0	\$125,840,000	\$126,248,308	28.64 %	
03802 CARES Act	0	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06005 Liquor Division	310,904	0	0	0	310,904	100.00 %	
Proprietary Total	\$310,904	\$0	\$0	\$0	\$310,904	0.07 %	
Total All Funds	\$17,784,652	\$0	\$0	\$422,952,021	\$440,736,673		

HB 2 Authority

General Fund

Funding for the Director’s Office HB 2 budget comes primarily from the general fund.

State Special Revenue

State special revenue funds the unclaimed property fund, administrative funds, and the tobacco settlement fund, which supports the dedicated attorney that supports tobacco tax compliance activities. As seen in the figure above, the Director’s Office is responsible for the statutorily appropriated distributions of various tax revenues to local and tribal governments. Further explanation for the unclaimed property fund is done in the Business and Income Taxes Division section of this document.

Proprietary Funding

Proprietary funding is from a direct appropriation of Alcoholic Beverage Control Division proprietary fund and is for the Alcoholic Beverage Control Division share of Director’s Office support costs. The allocation is calculated as a percentage of the program’s budget. Alcoholic Beverage Control Division proprietary funds are an indirect use of general fund since net liquor revenues are deposited in the general fund after operating costs are deducted.

Other Funding

Statutory Appropriations

Total funding for the Director’s Office also includes two general fund statutory appropriations. The largest of the statutory appropriations is a pass-through general fund appropriation for the state entitlement shares, as provided in 15-1-121, MCA. This distribution resulted from HB 124 in the 2001 Legislative Session, which reallocated revenue received by local governments, school districts, and some state special revenue accounts to the general fund and replaced foregone revenue with permanent state entitlement grants to counties and cities. A second general fund statutory appropriation included in the Director’s Office is a direct use by the department for out of state travel costs for tax audits and is provided for in 15-1-218, MCA.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	8,275,268	8,275,268	16,550,536	96.98 %	8,634,834	8,634,834	17,269,668	97.10 %
SWPL Adjustments	348,757	166,147	514,904	3.02 %	348,797	166,187	514,984	2.90 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$8,624,025	\$8,441,415	\$17,065,440		\$8,983,631	\$8,801,021	\$17,784,652	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	93,582	0	0	93,582	0.00	118,811	0	0	118,811
DP 2 - Fixed Costs	0.00	255,789	40	0	255,829	0.00	47,721	40	0	47,761
DP 3 - Inflation Deflation	0.00	(614)	0	0	(614)	0.00	(385)	0	0	(385)
Grand Total All Present Law Adjustments	0.00	\$348,757	\$40	\$0	\$348,797	0.00	\$166,147	\$40	\$0	\$166,187

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

1. Expected changes
2. Personal services management decisions
3. Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include the following: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	5,894,482	6,525,351	630,869	10.70 %
Operating Expenses	9,790,950	10,402,759	611,809	6.25 %
Equipment & Intangible Assets	1,673,385	290,231	(1,383,154)	(82.66)%
Total Expenditures	\$17,358,817	\$17,218,341	(\$140,476)	(0.81)%
General Fund	16,679,206	16,538,747	(140,459)	(0.84)%
State/Other Special Rev. Funds	167,714	167,710	(4)	0.00 %
Proprietary Funds	511,897	511,884	(13)	0.00 %
Total Funds	\$17,358,817	\$17,218,341	(\$140,476)	(0.81)%
Total Ongoing	\$17,358,817	\$17,218,341	(\$140,476)	(0.81)%
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Technology Services Division (TSD) serves as the technological foundation for the department’s business units.

- The Applications Bureau provides programming and maintenance to the department’s software applications
- The Quality Assurance Bureau ensures the integrity and performance of department systems by providing guidance, direction, and training for testing and maintaining systems
- The Technical Operations Bureau provides support and training for department hardware and software systems

Program Highlights

Technology Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The Technology Services Division’s 2023 biennium budget request is approximately \$140,000 or 0.8% less than the 2021 biennium budget. The executive proposal includes: <ul style="list-style-type: none"> ◦ Proposed decreases in general fund due to a substantial decrease in equipment and intangible assets

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	33.00	33.00	33.00	33.00
Personal Services	2,914,928	2,917,082	2,977,400	3,257,561	3,267,790
Operating Expenses	4,717,905	4,749,205	5,041,745	5,200,830	5,201,929
Equipment & Intangible Assets	1,673,385	1,673,385	0	104,702	185,529
Total Expenditures	\$9,306,218	\$9,339,672	\$8,019,145	\$8,563,093	\$8,655,248
General Fund	8,966,404	8,999,858	7,679,348	8,223,296	8,315,451
State/Other Special Rev. Funds	83,859	83,859	83,855	83,855	83,855
Proprietary Funds	255,955	255,955	255,942	255,942	255,942
Total Funds	\$9,306,218	\$9,339,672	\$8,019,145	\$8,563,093	\$8,655,248
Total Ongoing	\$9,306,218	\$9,339,672	\$8,019,145	\$8,563,093	\$8,655,248
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Technology Services Division expended 99.6% of its \$9.3 million FY 2020 modified HB 2 budget. The reorganization completed by the Department of Revenue and discussed in the agency summary established the level of appropriations for expenditures for the Technology Services Division.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Personal services FY 2021 appropriations are higher than FY 2020 appropriations mainly due to the pay plan approved by the 2019 Legislature.

Executive Request

The Technology Services Division budget proposed by the executive is \$140,000 or 0.8% less than the 2021 biennium budget. This decrease is primarily due to a substantial reduction in equipment and intangible assets.

Personal services were \$3.0 million or 37.1% of total FY 2021 appropriations. The executive proposes increases in general fund from the FY 2021 base, totaling approximately \$280,000 in FY 2022 and \$290,000 in FY 2023. This change is primarily due to increases from the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$5.0 million or 62.9% of total FY 2021 appropriations. The executive proposes increases in general fund from the FY 2021 base, totaling approximately \$264,000 in FY 2022 and \$346,000 in FY 2023. This change is primarily due to increases from the statewide present law adjustment for fixed costs and IT contract increases, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$3.0 million or 37.1% of total FY 2021 appropriations for the Technology Services Division. The executive proposes a statewide present law increase of approximately \$280,000 in FY 2022 and \$290,000 in FY 2023.

The 2023 biennium personal service statewide present law request includes expected changes and management decisions.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover
- The Technology Services Division was created through a reorganization, which moved 34.00 FTE and appropriated funds from the Directors Office

Funding

The following table shows proposed program funding by source of authority.

Department of Revenue, 02-Technology Services Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	16,538,747	0	0	0	16,538,747	96.05 %	
02790 6901-Statewide Tobacco Sttlmnt	167,710	0	0	0	167,710	100.00 %	
State Special Total	\$167,710	\$0	\$0	\$0	\$167,710	0.97 %	
03802 CARES Act	0	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06005 Liquor Division	511,884	0	0	0	511,884	100.00 %	
Proprietary Total	\$511,884	\$0	\$0	\$0	\$511,884	2.97 %	
Total All Funds	\$17,218,341	\$0	\$0	\$0	\$17,218,341		

HB 2 Authority

The Technology Services Division is primarily funded from the general fund, which is used to support technology requirements and business operations.

State Special Revenue

The Technology Services Division receives state special revenue appropriations from the Tobacco Settlement funds for technology support provided to the Business Income Taxes Division.

Proprietary Funding

Appropriations from the Liquor Enterprise fund supports technology services for the Alcoholic Beverage Control division.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	7,679,348	7,679,348	15,358,696	92.86 %	8,019,145	8,019,145	16,038,290	93.15 %
SWPL Adjustments	448,270	459,598	907,868	5.49 %	448,270	459,598	907,868	5.27 %
PL Adjustments	95,678	176,505	272,183	1.65 %	95,678	176,505	272,183	1.58 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$8,223,296	\$8,315,451	\$16,538,747		\$8,563,093	\$8,655,248	\$17,218,341	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	280,161	0	0	280,161	0.00	290,390	0	0	290,390
DP 2 - Fixed Costs	0.00	168,109	0	0	168,109	0.00	169,208	0	0	169,208
DP 201 - IT contract increase (FAST/GenTax)	0.00	50,000	0	0	50,000	0.00	100,000	0	0	100,000
DP 202 - IT contract increase (Orion)	0.00	54,702	0	0	54,702	0.00	85,529	0	0	85,529
DP 203 - ServiceNow Reduction	0.00	(9,024)	0	0	(9,024)	0.00	(9,024)	0	0	(9,024)
Grand Total All Present Law Adjustments	0.00	\$543,948	\$0	\$0	\$543,948	0.00	\$636,103	\$0	\$0	\$636,103

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

1. Expected changes
2. Personal services management decisions
3. Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include the following: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 201 - IT contract increase (FAST/GenTax) -

The executive requests an increase in the general fund for a maintenance contract increase for the Department of Revenue's (DOR) integrated tax system called GenTax®. Through the system, DOR manages 91 taxes, licenses, and fees.

DP 202 - IT contract increase (Orion) -

The executive is requesting an additional general fund appropriation for an increase in maintenance costs for the Orion property valuation system.

DP 203 - ServiceNow Reduction -

The executive requests a decrease in funding because of the purchase of ServiceNow licenses and programs for the 2023 biennium. The executive is anticipating operating efficiencies and other savings by using ServiceNow.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	5,013,689	5,386,512	372,823	7.44 %
Operating Expenses	1,036,143	1,128,721	92,578	8.93 %
Equipment & Intangible Assets	82,491	61,108	(21,383)	(25.92)%
Transfers	117,816	0	(117,816)	(100.00)%
Debt Service	68,998	70,560	1,562	2.26 %
Total Expenditures	\$6,319,137	\$6,646,901	\$327,764	5.19 %
Proprietary Funds	6,319,137	6,646,901	327,764	5.19 %
Total Funds	\$6,319,137	\$6,646,901	\$327,764	5.19 %
Total Ongoing	\$6,069,137	\$6,396,901	\$327,764	5.40 %
Total OTO	\$250,000	\$250,000	\$0	0.00 %

Program Description

The Alcoholic Beverage Control Division (ABCD) provides effective and efficient administration of the Montana alcoholic beverage code with an emphasis on customer service and public safety.

- The Licensing and Compliance Bureau protects the welfare and safety of the public by regulating alcoholic beverage licensing laws in a uniform and fair manner
- The Liquor Distribution Bureau maintains a regulated channel of distribution to fulfill the public demand for distilled spirits and fortified wine through agency liquor stores

Program Highlights

Alcoholic Beverage Control Division Major Budget Highlights
<ul style="list-style-type: none"> • The Alcoholic Beverage Control Division 2023 biennium budget request is approximately \$328,000 or 5.2% more than the 2021 biennium budget. The executive proposal includes: <ul style="list-style-type: none"> ◦ Proposed increases in proprietary funds due to statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ Proposed increases in spending due to anticipated termination payouts and overtime

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	31.75	31.75	31.75	31.75
Personal Services	2,387,729	2,446,619	2,567,070	2,689,183	2,697,329
Operating Expenses	463,545	486,326	549,817	564,727	563,994
Equipment & Intangible Assets	51,937	51,937	30,554	30,554	30,554
Transfers	117,816	117,816	0	0	0
Debt Service	33,410	33,705	35,293	35,285	35,275
Total Expenditures	\$3,054,437	\$3,136,403	\$3,182,734	\$3,319,749	\$3,327,152
Proprietary Funds	3,054,437	3,136,403	3,182,734	3,319,749	3,327,152
Total Funds	\$3,054,437	\$3,136,403	\$3,182,734	\$3,319,749	\$3,327,152
Total Ongoing	\$2,987,827	\$3,011,403	\$3,057,734	\$3,194,749	\$3,202,152
Total OTO	\$66,610	\$125,000	\$125,000	\$125,000	\$125,000

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Alcoholic Beverage Control Division expended 97.4% of its \$3.1 million FY 2020 modified HB 2 budget. The 2019 Legislature provided the Alcoholic Beverage Control Division with \$125,000 in personal services funding for overtime and retirement costs. In FY 2020 the division used about \$66,000 of the appropriation.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Personal services FY 2021 appropriations are higher than FY 2020 appropriations due to the pay plan approved by the 2019 Legislature. FY 2020 operating expenses are lower than FY 2021 due to transfers to other expenditure categories. The Alcoholic Beverage Control Division transferred about \$138,000 out of operating expenses, mainly into personal services, equipment & intangible assets, and debt service in FY 2020. In FY 2021 about \$35,000 was transferred to debt service.

LFD COMMENT	<p>House Bill 3</p> <p><i>L.L Liquor v. State of Montana et al</i></p> <p>Supplemental appropriations of \$5.6 million in general fund are being proposed for the Alcohol Beverage Control Division for a summary judgement in the case of L.L Liquor v. State of Montana et al, United States District Court District of Montana, Helena Division, Case No. CV 15-71-H-SHE.</p> <p>In 2015, the Legislature passed Senate Bill 193 (SB 193), which repealed the old commission rate structure for agency liquor stores. Lolo Liquor alleged that SB 193 did the following:</p> <ol style="list-style-type: none"> 1. Violated contracts clauses of the United States and Montana Constitutions 2. Breached the agency franchise agreements and breached the covenant of good faith 3. Resulted in an unconstitutional taking 4. Violated their due process rights <p>On April 25, 2017, the federal court ruled the changes to the commission rates resulted in a breach of the agency franchise agreement with Lolo Liquor. Therefore, the State of Montana is responsible for paying Lolo Liquor \$5.0 million in economic damages and attorney fees. Additionally, Lolo Liquor sought post-judgement interest at 10.0% to be calculated from the date of the breach of the Agency Franchise Agreement. Judge Haddon awarded interest at the rate of 1.8% from October 2019. However, the parties have appealed to the 9th Circuit Court with oral arguments scheduled for October 7, 2020.</p>
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It is estimated that by the 2021 Legislative session interest could range anywhere from \$0 to \$100,000 at 1.8% or up to \$625,000 at 10.0%, which the agency included the latter in the proposed appropriation.

Increased Liquor Sales

Supplemental appropriations are being proposed in proprietary funds of \$8.0 million for the Alcohol Beverage Control Division due to a significant increase in liquor sales and license fee revenue during the Covid-19 pandemic. Liquor sales in the month of September 2020 were up 35.8% compared to sales in September 2019, equating to an increase of approximately \$4.5 million in September alone. Due to the increase in demand for liquor, the Alcoholic Beverage Control Division is requesting additional authority to maintain adequate inventories. As liquor sales increase, liquor tax revenue and liquor profits concurrently increase which requires the Alcoholic Beverage Control Division to have the budget authority to transfer additional funds to the general fund.

Additionally, licensing fee revenues are also rising due to the 2017 Legislative Special Session passing legislation that makes certain available licenses to be issued through a competitive bidding process rather than a lottery. Initially, it was uncertain what fiscal impact this change would have, but after several competitive bids the ABC Division has a better understanding of the budget authority needed to be able to transfer the competitive bid revenue to the general fund.

Executive Request

The Alcoholic Beverage Control Division budget proposed by the executive is \$328,000 or 5.2% greater than the 2021 biennium budget.

Personal services were \$2.6 million or 80.7% of total FY 2021 appropriations. The executive proposes increases in budgeted proprietary funds above the FY 2021 base, totaling approximately \$122,000 in FY 2022 and \$130,000 in FY 2023. This change is primarily due to increases from the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$550,000 or 17.3% of total FY 2021 appropriations. The executive proposes increases in budgeted proprietary funds above the FY 2021 base, totaling approximately \$140,000 in FY 2022 and \$139,000 in FY 2023. This change is primarily due to increases from the statewide present law adjustment for fixed costs and the Alcoholic Beverage Control Division overtime and termination payouts for personal services, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$2.6 million or 80.7% of total FY 2021 appropriations for the Alcoholic Beverage Control Division. The executive proposes a statewide present law adjustment increase of approximately \$122,000 in FY 2022 and \$130,000 in FY 2023.

The 2023 biennium personal service statewide present law request includes expected changes and management decisions.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover

Funding

The following table shows proposed program funding by source of authority.

Department of Revenue, 03-Alcoholic Beverage Control Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
03802 CARES Act	0	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06005 Liquor Division	6,646,901	250,000	0	0	6,896,901	100.00 %	
Proprietary Total	\$6,646,901	\$250,000	\$0	\$0	\$6,896,901	100.00 %	
Total All Funds	\$6,646,901	\$250,000	\$0	\$0	\$6,896,901		

HB 2 Authority

Proprietary Funding

The division is funded with a direct appropriation of Alcoholic Beverage Control Division proprietary funds. Net revenues from liquor sales are transferred to the general fund after operating costs are deducted from gross revenues. Consequently, any proposals funded through this program are an indirect use of state general fund. The table below provides further detail about the revenue and expenditures in the Liquor Division Fund. The HB 2 one-time-only (OTO) funding is for DPs 6 and 7 for anticipated termination payouts and overtime funding.

Figure 3

Department of Revenue Liquor Division Fund - 06005				
	Actual FY 2020	Estimated FY 2021	Proposed FY 2022	Proposed FY 2023
Beginning Balance	6,515,275	6,685,195	(9,202,694)	(36,830,226)
Revenue	149,237,171	143,637,481	147,525,667	148,173,667
Expenditures				
Department of Revenue				
Directors Office	155,465	155,452	155,452	155,452
Technology Services Division	255,955	255,942	255,942	255,942
Alcohol Beverage Control Division	147,159,180	157,682,734	173,319,749	179,886,402
Information Management & Collections Div	16,621	16,623	16,623	16,623
Total Department of Revenue Expenditures	147,587,221	158,110,751	173,747,766	180,314,419
Department of Justice				
Central Services Division	55,272	36,832	35,827	35,827
Gambling Control Division	1,417,626	1,370,655	1,362,474	1,368,352
JITSD	7,132	7,132	7,132	7,132
Total Department of Justice Expenditures	1,480,030	1,414,619	1,405,433	1,411,311
Total Expenditures	149,067,251	159,525,370	175,153,199	181,725,730
Ending Fund Balance	\$ 6,685,195	\$ (9,202,694)	\$ (36,830,226)	\$ (70,382,289)

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	0	0	0	0.00 %	3,057,734	3,057,734	6,115,468	92.00 %
SWPL Adjustments	0	0	0	0.00 %	137,015	144,418	281,433	4.23 %
PL Adjustments	0	0	0	0.00 %	125,000	125,000	250,000	3.76 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$3,319,749	\$3,327,152	\$6,646,901	

The executive proposed a one-time-only request of \$250,000 for overtime and termination payout of personal services. This proposal is excluded in the FY 2021 base budget. For the 2023 biennium budget those historically OTO programs are being proposed by the executive as ongoing. For additional detail about those, refer to the new proposals following present law adjustments below.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	122,113	0.00	0	0	0	130,259
DP 2 - Fixed Costs	0.00	0	0	0	16,425	0.00	0	0	0	15,114
DP 3 - Inflation Deflation	0.00	0	0	0	(1,523)	0.00	0	0	0	(955)
DP 307 - ABCD Overtime of Personal Services	0.00	0	0	0	65,000	0.00	0	0	0	65,000
DP 308 - ABCD Termination Payout of Personal Services	0.00	0	0	0	60,000	0.00	0	0	0	60,000
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$262,015	0.00	\$0	\$0	\$0	\$269,418

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

1. Expected changes
2. Personal services management decisions
3. Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include the following: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 307 - ABCD Overtime of Personal Services -

The executive is requesting an additional proprietary fund appropriation to pay for overtime and temporary staff to meet the increase in demand for liquor products especially during peaks periods, holiday weeks, and to back fill personnel while out on vacation or sick leave. This request is to provide additional personnel services. Given the budget rules related to overtime and temporary employees' expenditures, it must be requested each legislative session.

DP 308 - ABCD Termination Payout of Personal Services -

The executive is requesting an additional proprietary fund appropriation to provide funds to pay out accrued leave balances for employee's retiring and/or leaving the department. This request would allow the department to efficiently distribute alcoholic beverages to the agency liquor stores and comply with the statutory requirement of 16-2-101(12), MCA, requiring the department to maintain a 97.0% monthly service level to the agency stores. If the department is required to use additional vacancy savings to pay for the termination payouts, the department will not be able to meet this statutory requirement.

**LFD
COMMENT**

The executive proposes overtime and termination payouts funding for staff within the Alcoholic Beverage Control Division as a present law adjustment. The 2017 and 2019 Legislature provided funding for overtime and termination payouts as one-time-only in the 2019 and 2021 biennium's, respectively. Based on statutory requirements, items that are one-time-only are considered new proposals in the following budget.

The Legislature may wish to consider approving the proposed overtime and termination payouts funding with one-time funding.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	8,504,394	9,548,765	1,044,371	12.28 %
Operating Expenses	3,805,075	4,038,477	233,402	6.13 %
Capital Outlay	150,426	0	(150,426)	(100.00)%
Local Assistance	2,000,000	0	(2,000,000)	(100.00)%
Debt Service	5,924	7,482	1,558	26.30 %
Total Expenditures	\$14,465,819	\$13,594,724	(\$871,095)	(6.02)%
General Fund	14,325,615	13,454,504	(871,111)	(6.08)%
State/Other Special Rev. Funds	106,960	106,974	14	0.01 %
Proprietary Funds	33,244	33,246	2	0.01 %
Total Funds	\$14,465,819	\$13,594,724	(\$871,095)	(6.02)%
Total Ongoing	\$14,465,819	\$13,594,724	(\$871,095)	(6.02)%
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Information Management and Collections Division provides consistent service to Montana citizens, businesses, and nonresident taxpayers through business licensing coordination, collection of delinquent accounts, and data and remittance processing operations.

The Other Agency Debts Program provides statewide collections services to other state agencies, local governments, universities, and colleges. The Collections Bureau manages collections of the department's delinquent debts and provides collection services to other state agencies and local governments. The Information Management Bureau ensures secure handling and processing of taxpayer information, payments, and data in electronic or paper form. The bureau is organized into four units: Account Maintenance and Cashiering, Information Capture, Electronic Services (E-Services), and Mail and Imaging.

Program Highlights

Information Management & Collections Division Major Budget Highlights
<ul style="list-style-type: none"> • The Information Management & Collections Division's 2023 biennium budget request is approximately \$871,000 or 6.0% less than the 2021 biennium budget. The executive proposal includes: <ul style="list-style-type: none"> ◦ Decreases are primarily due to capital outlay funds for HB 636 being used entirely in FY 2020

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	71.95	71.95	71.95	71.95
Personal Services	3,885,920	4,067,397	4,436,997	4,768,169	4,780,596
Operating Expenses	1,839,792	1,840,324	1,964,751	2,014,828	2,023,649
Capital Outlay	149,456	150,426	0	0	0
Local Assistance	0	2,000,000	0	0	0
Debt Service	2,181	2,183	3,741	3,741	3,741
Total Expenditures	\$5,877,349	\$8,060,330	\$6,405,489	\$6,786,738	\$6,807,986
General Fund	5,807,254	7,990,236	6,335,379	6,716,628	6,737,876
State/Other Special Rev. Funds	53,474	53,473	53,487	53,487	53,487
Proprietary Funds	16,621	16,621	16,623	16,623	16,623
Total Funds	\$5,877,349	\$8,060,330	\$6,405,489	\$6,786,738	\$6,807,986
Total Ongoing	\$5,877,349	\$8,060,330	\$6,405,489	\$6,786,738	\$6,807,986
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

Information Management & Collections Division expended 72.9% of its \$8.1 million FY 2020 modified HB 2 budget. Personal services are lower than anticipated in the budget due to turnover. HB 636 changed the process and requirements for protested taxes beginning in FY 2020. HB 715 provided a 2021 biennial appropriation of \$2.0 million to reimburse local taxing jurisdictions if it was determined that the value of centrally assessed or industrial properties were less than 75.0% of the original assessed value. In FY 2020, the Information Management & Collections Division did not make any reimbursements to local taxing jurisdictions.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Personal services FY 2021 appropriations are higher than FY 2020 appropriations for two reasons:

- The pay plan approved by the 2019 Legislature
- Transfer of \$268,000 in FY 2020 personal services appropriations to the Technology Services Division

Operating expenses are lower in FY 2020 than in FY 2021 mainly due to transfer of \$152,000 in authority out of operating expenses and into capital outlay and debt service.

Local Assistance appropriations are lower in FY 2021 than in FY 2020. Appropriations of \$2.0 million in local assistance for HB 636, which revised laws related to protested taxes, were provided to the Information Management Collections Division from HB 715 in FY 2020. The entire \$2.0 million 2021 biennial appropriation, and although established in FY 2020 the appropriation may be used in either year of the biennium.

Executive Request

The Information Management and Collections Division budget proposed by the executive is \$871,000 or 6.0% less than the 2021 biennium budget.

Personal services were \$4.4 million or 69.3% of total FY 2021 appropriations. The executive proposes increases in general fund above the FY 2021 base, totaling approximately \$331,000 in FY 2022 and \$344,000 in FY 2023. This change is primarily due to increases from the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$2.0 million or 30.7% of total FY 2021 appropriations. The executive proposes

increases in general fund above the FY 2021 base, totaling approximately \$50,000 in FY 2022 and \$59,000 in FY 2023. This change is primarily due to increases from the statewide present law adjustment for fixed costs and rental and parking increases, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$4.4 million or 69.3% of total FY 2021 appropriations for the Information Management and Collections Division. The executive proposes statewide present law increases of approximately \$331,000 in FY 2022 and \$344,000 in FY 2023.

The 2023 biennium personal service statewide present law request includes expected changes and management decisions.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover
- A reorganization and program transfer that moved 18.00 FTE and the corresponding budget appropriations from the Information Management and Collections Division to the Directors Office
- A program transfer of 6.00 FTE and approximately \$364,000 in personal service funds to the Property Assessment Division

Funding

The following table shows proposed program funding by source of authority.

Department of Revenue, 05-Information Management & Collections Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	13,454,504	0	0	0	13,454,504	95.19 %	
02025 Unclaimed Property	52,272	0	0	0	52,272	48.86 %	
02088 SSR Administrative Funds	54,702	0	0	0	54,702	51.14 %	
02587 State School Oil & Gas Distrib	0	0	0	0	0	0.00 %	
State Special Total	\$106,974	\$0	\$0	\$0	\$106,974	0.76 %	
03802 CARES Act	0	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06005 Liquor Division	33,246	0	0	0	33,246	5.80 %	
06554 Bad Debt Collection Services	0	0	539,474	0	539,474	94.20 %	
Proprietary Total	\$33,246	\$0	\$539,474	\$0	\$572,720	4.05 %	
Total All Funds	\$13,594,724	\$0	\$539,474	\$0	\$14,134,198		

HB 2 Authority

General Funding

The Information Management and Collections Division is funded primarily by the general fund.

State Special Revenue Funding

State special revenue funds the division’s administration of the livestock per capita fee and medical marijuana tax, and for support of the unclaimed property program. Further explanation for the unclaimed property fund is done in the Business and Income Taxes Division.

Proprietary Funding

The finances of the bad debt collection services are funded with proprietary funds which will be discussed in the Proprietary Rates Section.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	6,335,379	6,335,379	12,670,758	94.17 %	6,405,489	6,405,489	12,810,978	94.23 %
SWPL Adjustments	372,732	385,274	758,006	5.63 %	372,732	385,274	758,006	5.58 %
PL Adjustments	8,517	17,223	25,740	0.19 %	8,517	17,223	25,740	0.19 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$6,716,628	\$6,737,876	\$13,454,504		\$6,786,738	\$6,807,986	\$13,594,724	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	331,172	0	0	331,172	0.00	343,599	0	0	343,599
DP 2 - Fixed Costs	0.00	41,564	0	0	41,564	0.00	41,678	0	0	41,678
DP 3 - Inflation Deflation	0.00	(4)	0	0	(4)	0.00	(3)	0	0	(3)
DP 504 - IMCD Rent (Non-DOA) Increase	0.00	7,508	0	0	7,508	0.00	15,165	0	0	15,165
DP 506 - Parking Increase (50% of Donovan Parking)	0.00	1,009	0	0	1,009	0.00	2,058	0	0	2,058
Grand Total All Present Law Adjustments	0.00	\$381,249	\$0	\$0	\$381,249	0.00	\$402,497	\$0	\$0	\$402,497

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

1. Expected changes
2. Personal services management decisions
3. Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include the following: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 504 - IMCD Rent (Non-DOA) Increase -

The executive requests an increase in general fund for the Department of Revenue, Information Management and Collections Division for the 2023 biennium to pay for contractual rent increases for existing lease obligations at the Donovan Building.

DP 506 - Parking Increase (50% of Donovan Parking) -

The executive requests an increase in general fund for the Department of Revenue, Information Management and Collections Division for the 2023 biennium to pay for increases in rates for downtown parking in Helena.

Other Issues -**Proprietary Rates****Fund 06554 – Collection Services Program***Proprietary Proposed Budget*

The following 2023 Biennium Report on Internal Service and Enterprise Funds for fund 06554 shows the actual and projected revenues and expenses associated with the fund from FY 2020 through FY 2023. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

2023 Biennium Report on Internal Service and Enterprise Funds					
Fund	Fund Name	Agency #	Agency Name	Program Name	
6554	IMCD Collection Services	58010	Department of Revenue	Information Management & Collect. Div.	
		Actual FY 20	Estimated FY 21	Proposed FY 22	Proposed FY 23
Operating Revenues					
Fees and Charges					
	Fee Revenue A	290,012	193,341	290,012	273,900
Total Operating Revenues		290,012	193,341	290,012	273,900
Expenses					
	Personal Services	166,970	191,701	199,101	199,101
	Other Operating Expense				
	Expense A	76,080	76,080	76,841	77,609
Total Operating Expense		243,050	267,781	275,942	276,710
Operating Income (Loss)		46,962	-74,440	14,070	-2,810
Change in Net Position		46,962	-74,440	14,070	-2,810
Beginning Net Position - July 1		224,439	271,401	196,961	211,031
	Prior Period Adjustments				
	Change in Net Position	46,962	-74,440	14,070	-2,810
Ending Net Position - June 30		271,401	196,961	211,031	208,221

Proprietary Program Description

Montana law authorizes the Department of Revenue to assist other agencies in the collection of delinquent accounts. The department retains a percentage of these collections for the costs of assistance in conjunction with 17-4-103 (3)(a), MCA. The department established the Collections Services Program, which includes 3.50 FTE, to administer its statutory responsibilities under Title 17, chapter 4, MCA. These responsibilities include providing collection services for the purpose of centralizing debt collection for the State of Montana.

Proprietary Program Narrative

Expenses

The Department of Revenue is currently authorized to charge a commission rate up to 5.0% for its collection services, excluding the collection of overpaid child support payments made to custodial parents and collection of delinquent child support payments from noncustodial parents. The commissions collected are used to pay the expenses of the Collection

Services Program. On average, approximately 74.0% of the expenditures are paid in salaries and benefits with the remaining expenditures representing operating expenses of the program.

Revenues

Administration of this program has required a minimum of a 9-month working capital balance due to the timing of program collections through offset of other state monies, as the program collects the largest amount of revenues on delinquent accounts during the income tax season and the hunting permitting season.

Proprietary Rates

For the 2023 biennium, the following rates are proposed by the executive. The rates are charged in the base year, and rates paid state agencies in FY 2020 and FY 2021 are shown for comparison purposes.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Actual	Estimated	Proposed	Proposed
	FY 20	FY 21	FY 22	FY 23
Fee Description:	4.5%	3.0%	4.5%	4.3%

The executive requests a commission rate of 4.5% in FY 2022 and 4.3% in FY 2023. Based on the projections above, net position will be reduced by approximately \$2,800 in FY 2023. This will provide the department with approximately nine months' worth of working capital. It is necessary to maintain a nine-month working capital balance to pay expenses as they are incurred as most of commission revenue is not collected until the income tax filing season each year, some six to nine months after the start of the fiscal year. The department will continue to evaluate the commission rate as actual revenues and expenditures are received and incurred to maintain the working capital balance at the appropriate level.

Exemptions from this rate is collection of overpaid child support payments made to custodial parents or collection of delinquent child support payments from noncustodial parents. Commissions associated with child support payments are charged against a separate general fund appropriation designated by the legislature in a prior legislative session.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	20,233,456	21,542,911	1,309,455	6.47 %
Operating Expenses	3,160,542	3,544,224	383,682	12.14 %
Debt Service	13,095	15,116	2,021	15.43 %
Total Expenditures	\$23,407,093	\$25,102,251	\$1,695,158	7.24 %
General Fund	21,588,622	23,272,689	1,684,067	7.80 %
State/Other Special Rev. Funds	1,268,462	1,269,708	1,246	0.10 %
Federal Spec. Rev. Funds	550,009	559,854	9,845	1.79 %
Total Funds	\$23,407,093	\$25,102,251	\$1,695,158	7.24 %
Total Ongoing	\$23,407,093	\$25,102,251	\$1,695,158	7.24 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Business and Income Taxes Division (BIT) is responsible for the administration of and collection of nearly \$2.5 billion annually from 40 Montana taxes and fees. BIT also values all industrial and centrally assessed property in the state, which generates \$250 million in state and local revenue annually. The division is responsible for equal tax administration, tax type expertise, taxpayer education, auditing, identification of non-filers, and overall tax compliance.

- The Income and Withholding Tax Bureau is responsible for the daily management and compliance of individual, passthrough entity, and withholding taxes. The bureau is organized into five units: Compliance, Pass-through, Field Audit, Taxpayer Accounting, and Withholding
- The Business Tax and Valuation Bureau manages over 25 tax programs and is responsible for the daily management and compliance for the tax types associated with the large taxpayer tax types. Four units make up the bureau including: Natural Resource, Corporation Tax, Miscellaneous Tax, and Utility and Industrial

Program Highlights

Business & Income Taxes Division Major Budget Highlights
<ul style="list-style-type: none"> • The Business & Income Taxes Division’s 2023 biennium budget request is approximately \$1.7 million or 7.2% higher than the 2021 biennium budget. The executive proposal includes: <ul style="list-style-type: none"> ◦ Proposed increases in general fund due to statewide present law adjustments for personal services, fixed costs, and inflation/deflation

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	138.86	138.86	138.86	138.86
Personal Services	9,805,836	9,911,814	10,321,642	10,756,442	10,786,469
Operating Expenses	1,473,342	1,473,856	1,686,686	1,779,058	1,765,166
Debt Service	5,536	5,537	7,558	7,558	7,558
Total Expenditures	\$11,284,714	\$11,391,207	\$12,015,886	\$12,543,058	\$12,559,193
General Fund	10,375,387	10,481,881	11,106,741	11,628,284	11,644,405
State/Other Special Rev. Funds	634,242	634,240	634,222	634,854	634,854
Federal Spec. Rev. Funds	275,085	275,086	274,923	279,920	279,934
Total Funds	\$11,284,714	\$11,391,207	\$12,015,886	\$12,543,058	\$12,559,193
Total Ongoing	\$11,284,714	\$11,391,207	\$12,015,886	\$12,543,058	\$12,559,193
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Business and Income Taxes Division expended 99.1% of its \$11.4 million FY 2020 modified HB 2 budget. Personal services are lower than anticipated in the budget due to employee turnover.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Personal services FY 2021 appropriations are higher than FY 2020 appropriations for two reasons:

- The pay plan approved by the 2019 Legislature
- Transfer of \$97,000 from the Business and Income Taxes Division to the Technology Services Division in FY 2020

In FY 2020 the Business and Income Taxes Division transferred \$226,000 in operating expenses to the Technology Services Division.

Executive Request

The Business and Income Taxes Division budget proposed by the executive is \$1.7 million or 7.2% greater than the 2021 biennium budget.

Personal services were \$10.3 million or 85.9% of total FY 2021 appropriations. The executive proposes increases in general fund from the FY 2021 base, totaling approximately \$435,000 in FY 2022 and \$465,000 in FY 2023. This change is primarily due to increases from the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$1.7 million or 14.0% of total FY 2021 appropriations. The executive proposes increases in general fund, state special, and federal special revenue from the FY 2021 base, totaling approximately \$92,000 in FY 2022 and \$78,000 in FY 2023. This change is primarily due to increases from the statewide present law adjustment for fixed costs, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$10.3 million or 85.9% of total FY 2021 appropriations for the Business & Income Taxes Division. The executive is requesting a statewide present law increase of approximately \$435,000 in FY 2022 and \$465,000 in FY 2023.

The 2023 biennium personal service statewide present law request includes expected changes and management decisions.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover
- HB 293 added 3.00 FTE, which increased personal services base budget by approximately \$220,000

Funding

The following table shows proposed program funding by source of authority.

Department of Revenue, 07-Business & Income Taxes Division							
Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	23,272,689	0	0	0	23,272,689	92.08 %	
02025 Unclaimed Property	631,750	0	0	0	631,750	43.84 %	
02110 Accommodation Tax Admin	261,602	0	0	0	261,602	18.15 %	
02111 Accommodation Tax Account	0	0	0	0	0	0.00 %	
02116 Accommodation Tax Account	0	0	0	0	0	0.00 %	
02123 Sites & Signs	0	0	0	0	0	0.00 %	
02167 MT Oil & Gas Tax Clearing Fund	0	0	0	0	0	0.00 %	
02254 Regional Accommodation Tax	0	0	0	0	0	0.00 %	
02274 FWP Accommodations Tax	0	0	0	0	0	0.00 %	
02293 Film Production Credit	0	0	0	40,000	40,000	2.78 %	
02772 Tobacco Hlth and Medicaid Init	0	0	0	0	0	0.00 %	
02790 6901-Statewide Tobacco Stllmnt	376,356	0	0	0	376,356	26.12 %	
02801 Dep Rev Consumer Cncl Tax	0	0	0	0	0	0.00 %	
02853 Accommodation Tax	0	0	0	0	0	0.00 %	
02990 69010-Nursing Home Utilization	0	0	0	0	0	0.00 %	
02795 TransADE Special Revenue	0	0	0	0	0	0.00 %	
02020 Cigarette Tax Stamps	0	0	0	131,250	131,250	9.11 %	
02284 Aquatic Invasive Species	0	0	0	0	0	0.00 %	
02939 State-Tribal Economic Devel	0	0	0	0	0	0.00 %	
02997 911 Distribution	0	0	0	0	0	0.00 %	
02998 911 Grants	0	0	0	0	0	0.00 %	
State Special Total	\$1,269,708	\$0	\$0	\$171,250	\$1,440,958	5.70 %	
03802 CARES Act	0	0	0	0	0	0.00 %	
03928 Royalty Audit - NRCT	559,854	0	0	0	559,854	100.00 %	
Federal Special Total	\$559,854	\$0	\$0	\$0	\$559,854	2.22 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$25,102,251	\$0	\$0	\$171,250	\$25,273,501		

The Business and Income Taxes Division is primarily funded with general fund, with some state special revenue and federal special revenue. State special revenue comes from the unclaimed property fund for program support, tobacco tax compliance activities, and the accommodations tax which funds expenses for administering that tax. Federal special revenue comes from reimbursements for performing mineral royalty audits.

LFD COMMENT	The unclaimed property fund contributes to the state special revenue funds. The table below shows actual and estimated revenues and expenditures for FY 2020 through FY 2023. Expenditures for the unclaimed property fund are from the Director's Office, Information Management and Collections Division, and the Business and Income Taxes Division. The Business and Income Taxes Division accounts for most the funds expenditures, with 65.0%.
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Figure 3

Department of Revenue Unclaimed Property Funds - 02025				
	Actual FY 2020	Estimated FY 2021	Proposed FY 2022	Proposed FY 2023
Beginning Fund Balance	-	-	553	776
Revenues	485,916	486,500	486,500	486,500
Expenditures				
Directors Office	144,233	144,266	144,266	144,266
Information Management & Collections Div	26,128	26,136	26,136	26,136
Business & Income Taxes Div	315,554	315,545	315,875	315,875
Expenditures Total	485,916	485,947	486,277	486,277
Ending Balance	\$ -	\$ 553	\$ 776	\$ 999

Statutory appropriations include film tax credits, which was enacted in HB 293, and the Cigarette Tax Stamps.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	11,106,741	11,106,741	22,213,482	95.45 %	12,015,886	12,015,886	24,031,772	95.74 %
SWPL Adjustments	521,543	537,664	1,059,207	4.55 %	527,172	543,307	1,070,479	4.26 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$11,628,284	\$11,644,405	\$23,272,689		\$12,543,058	\$12,559,193	\$25,102,251	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2022-----				-----Fiscal 2023-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	434,800	0	0	434,800	0.00	464,827	0	0	464,827
DP 2 - Fixed Costs	0.00	88,636	632	4,997	94,265	0.00	74,024	632	5,011	79,667
DP 3 - Inflation Deflation	0.00	(1,893)	0	0	(1,893)	0.00	(1,187)	0	0	(1,187)
Grand Total All Present Law Adjustments	0.00	\$521,543	\$632	\$4,997	\$527,172	0.00	\$537,664	\$632	\$5,011	\$543,307

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

1. Expected changes
2. Personal services management decisions
3. Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include the following: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	38,437,111	39,441,852	1,004,741	2.61 %
Operating Expenses	7,225,426	7,697,594	472,168	6.53 %
Equipment & Intangible Assets	6,000	0	(6,000)	(100.00)%
Capital Outlay	52,869	0	(52,869)	(100.00)%
Debt Service	26,766	40,484	13,718	51.25 %
Total Expenditures	\$45,748,172	\$47,179,930	\$1,431,758	3.13 %
General Fund	45,719,609	47,145,378	1,425,769	3.12 %
State/Other Special Rev. Funds	28,563	34,552	5,989	20.97 %
Total Funds	\$45,748,172	\$47,179,930	\$1,431,758	3.13 %
Total Ongoing	\$45,748,172	\$47,179,930	\$1,431,758	3.13 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Property Assessment Division administers Montana’s property tax laws, including the valuation of all taxable property for property tax purposes. The division ensures property classes for agricultural and forest land, residential and commercial property, and business equipment are valued uniformly and equally throughout the state. PAD provides each tax jurisdiction with the total taxable value of property in the jurisdiction and local governments use these certified values to determine property taxes used to fund important services such as public schools and road construction.

Program Highlights

Property Assessment Division Major Budget Highlights
<ul style="list-style-type: none"> • The Property Assessment Division 2023 biennium budget request is approximately \$1.4 million or 3.1% higher than the 2021 biennium budget. The executive proposal includes: <ul style="list-style-type: none"> ◦ Proposed increases in general fund due to statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ An increase in state special revenue for the property valuation improvement fund ◦ An increase in general fund for a new proposed NRIS/GIS usage fixed cost to be paid to the Montana State Library

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	276.92	276.92	276.92	276.92
Personal Services	18,652,220	18,829,068	19,608,043	19,688,867	19,752,985
Operating Expenses	3,538,929	3,543,247	3,682,179	3,831,859	3,865,735
Equipment & Intangible Assets	5,995	6,000	0	0	0
Capital Outlay	52,119	52,869	0	0	0
Debt Service	6,138	6,524	20,242	20,242	20,242
Total Expenditures	\$22,255,401	\$22,437,708	\$23,310,464	\$23,540,968	\$23,638,962
General Fund	22,241,114	22,423,421	23,296,188	23,523,692	23,621,686
State/Other Special Rev. Funds	14,287	14,287	14,276	17,276	17,276
Total Funds	\$22,255,401	\$22,437,708	\$23,310,464	\$23,540,968	\$23,638,962
Total Ongoing	\$22,255,401	\$22,437,708	\$23,310,464	\$23,540,968	\$23,638,962
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Property Assessment Division expended 99.2% of its \$22.4 million FY 2020 modified HB 2 budget. Personal services were less than anticipated due to employee turnover.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Personal services FY 2021 appropriations are higher than FY 2020 appropriations due to:

- The pay plan approved by the 2019 Legislature
- Transfer of \$261,000 in personal services to the Technology Services Division in FY 2020

FY 2020 operating expenses are lower than FY 2021 due to a transfer of \$196,000 in authority to the Property Assessment Division from the Director’s Office and the Technology Services Division in FY 2021.

Executive Request

The Property Assessment Division budget proposed by the executive is \$1.4 million or 3.1% greater than the 2021 biennium budget.

Personal services were \$19.6 million or 84.1% of total FY 2021 appropriations. The executive proposes increases in general fund from the FY 2021 base, totaling approximately \$81,000 in FY 2022 and \$145,000 in FY 2023. This change is primarily due to increases from the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$3.7 million or 15.8% of total FY 2021 appropriations. The executive proposes increases in general fund and state special revenue from the FY 2021 base, totaling approximately \$137,000 in FY 2022 and \$171,000 in FY 2023. This change is primarily due to increases from the statewide present law adjustment for fixed costs and Property Assessment Division (PAD) rent and parking increases, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$19.6 million or 84.1% of total base appropriations. The executive proposes a statewide present law increase of approximately \$81,000 in FY 2022 and \$145,000 in FY 2023.

The 2023 biennium personal service statewide present law request includes expected changes, management decisions, and budget modifications that affected the personal services budget.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover
- A program transfer of 6.00 FTE and approximately \$364,000 in personal service funds from the Information Management and Collections Division

The budget modifications decisions include:

- Appropriation movement of \$1,671 from personal services to operating expenses
- SB 200 added approximately \$71,000 for 1.00 additional FTE. However, this position and associated funds were transferred to the Technology Services Division during the 2021 biennium

Funding

The following table shows proposed program funding by source of authority.

Department of Revenue, 08-Property Assessment Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	47,145,378	0	0	0	47,145,378	99.93 %	
02088 SSR Administrative Funds	28,552	0	0	0	28,552	82.63 %	
02320 Property Value. Improv. Fund	6,000	0	0	0	6,000	17.37 %	
State Special Total	\$34,552	\$0	\$0	\$0	\$34,552	0.07 %	
03802 CARES Act	0	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$47,179,930	\$0	\$0	\$0	\$47,179,930		

Funding for the Property Assessment Division is almost entirely from the general fund. State special revenue is for the administration of the livestock per capita fee.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	23,296,188	23,296,188	46,592,376	98.83 %	23,310,464	23,310,464	46,620,928	98.82 %
SWPL Adjustments	125,841	205,105	330,946	0.70 %	125,841	205,105	330,946	0.70 %
PL Adjustments	92,124	110,854	202,978	0.43 %	92,124	110,854	202,978	0.43 %
New Proposals	9,539	9,539	19,078	0.04 %	12,539	12,539	25,078	0.05 %
Total Budget	\$23,523,692	\$23,621,686	\$47,145,378		\$23,540,968	\$23,638,962	\$47,179,930	

Present Law Adjustments

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	80,824	0	0	80,824	0.00	144,942	0	0	144,942
DP 2 - Fixed Costs	0.00	92,619	0	0	92,619	0.00	90,017	0	0	90,017
DP 3 - Inflation Deflation	0.00	(47,602)	0	0	(47,602)	0.00	(29,854)	0	0	(29,854)
DP 803 - PAD Rent (Non-DOA) Increase	0.00	89,420	0	0	89,420	0.00	106,568	0	0	106,568
DP 805 - PAD Parking Increase (50% Donovan + other county)	0.00	2,704	0	0	2,704	0.00	4,286	0	0	4,286
Grand Total All Present Law Adjustments	0.00	\$217,965	\$0	\$0	\$217,965	0.00	\$315,959	\$0	\$0	\$315,959

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

1. Expected changes
2. Personal services management decisions
3. Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include the following: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 803 - PAD Rent (Non-DOA) Increase -

The executive requests an increase in general fund appropriation for the 2023 biennium to pay for contractual rent increases for space currently occupied by property assessment division staff throughout the state. Many county leases follow the GSD rent rate increase. Those that do not were estimated at a 2.0% increase. The private lease contracts are negotiated each time the contract is up for renewal.

DP 805 - PAD Parking Increase (50% Donovan + other county) -

The executive requests an increase in general fund appropriation for the 2023 biennium to pay for increases in rates for downtown parking in Great Falls, Billings, and Helena.

New Proposals

The New Proposals table shows new changes to spending

New Proposals	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 806 - Establish Authority for Property Valuation Improvement Fund	0.00	0	3,000	0	3,000	0.00	0	3,000	0	3,000
DP 807 - NRIS/GIS Fixed Costs	0.00	9,539	0	0	9,539	0.00	9,539	0	0	9,539
Total	0.00	\$9,539	\$3,000	\$0	\$12,539	0.00	\$9,539	\$3,000	\$0	\$12,539

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 806 - Establish Authority for Property Valuation Improvement Fund -

The executive requests an increase in state special revenue appropriations for the 2023 biennium. The property valuation improvement fund established in 15-1-521, MCA, is a state special revenue fund to be used by the department to increase the efficiency of the property appraisal, assessment and taxation process through improvements in technology and administration. Any fees the department collects from entities who request information from the property valuation and assessment database are deposited into the fund (2-6-1007, MCA).

DP 807 - NRIS/GIS Fixed Costs -

The executive requests an increase in general fund for a new proposed NRIS/GIS usage fixed cost to be paid to the Montana State Library. The 2019 Legislature enacted HB 633 requiring the Legislative Finance Committee (LFC) to conduct a study of the funding of digital library services. The LFC recommended that the Office of Budget and Program Planning include an assessment for the natural resource information system (NRIS) and the geographic information system (GIS) as a fixed cost to state agencies beginning in the 2023 biennium. The assessment is made to those agencies that utilize the NRIS/GIS.